



## Senate

General Assembly

**File No. 576**

February Session, 2004

Substitute Senate Bill No. 111

*Senate, April 14, 2004*

The Committee on Public Health reported through SEN. MURPHY of the 16th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### ***AN ACT CONCERNING PHARMACY BENEFIT MANAGEMENT PLANS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (*Effective July 1, 2004*) The Commissioners of Public Health
- 2 and Agriculture and Consumer Protection, in consultation with the
- 3 Commission on Pharmacy, the Attorney General, the Managed Care
- 4 Ombudsman and the Insurance Commissioner, shall study pharmacy
- 5 benefit management plans. Such study shall determine whether
- 6 further regulation of such plans is required and whether such
- 7 regulation should include a limit on any form of compensation or
- 8 benefit received by such plans from both the customers and the
- 9 suppliers or manufacturers of medications ordered or recommended to
- 10 be ordered by such plans. If the commissioners determine that further
- 11 regulation is required, the commissioners shall indicate the type of
- 12 regulation required. Not later than January 1, 2005, the commissioners
- 13 shall submit such determination to the joint standing committees of the
- 14 General Assembly having cognizance of matters relating to insurance,
- 15 public health, general law and appropriations and the budgets of state

- 16 agencies in accordance with section 11-4a of the general statutes.

This act shall take effect as follows:	
Section 1	<i>July 1, 2004</i>

**PH**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note****State Impact:**

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Consumer Protection, Dept.; Public Health, Dept.	GF - None	None	None

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill requires the public health commissioner and the agriculture and consumer protection commissioner to study pharmacy benefit management plans. The bill does not result in a fiscal impact.

**OLR Bill Analysis**

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**AN ACT CONCERNING PHARMACY BENEFIT MANAGEMENT PLANS****SUMMARY:**

This bill requires the public health and agriculture and consumer protection commissioners to study pharmacy benefit management plans to determine (1) if further regulation of the plans is needed and (2) if such regulation should include a limit on any compensation or benefit the plans receive from customers, suppliers, or drug manufacturers. The commissioners must consult with the Commission on Pharmacy, the attorney general, the managed care ombudsman, and the insurance commissioner in conducting the study. They must report their findings to the Insurance and Real Estate, Public Health, General Law, and Appropriations committees by January 1, 2005. The report must include the type of regulation necessary, if any.

EFFECTIVE DATE: July 1, 2004

**BACKGROUND*****Pharmacy Benefit Managers***

Pharmacy benefit management plans, or pharmacy benefit managers (PBMs), are fiscal intermediaries that specialize in administering and managing prescription drug benefit plans on behalf of plan sponsors (e.g., employers). They handle such administrative tasks as collecting funds from plan sponsors; paying providers; processing claims; and answering questions from pharmacists, doctors, and plan enrollees. They manage prescription costs through various means, including negotiating prices and rebates with drug manufacturers, requiring generic drug substitution, imposing copayment and coinsurance cost-sharing, developing restricted drug formularies, providing disease management education, implementing mail order prescription programs, and performing utilization review.

***Special Act***

OLR does not analyze most special acts. However, we are providing an analysis of this bill, which would become a special act if enacted, because it did not originate as a special act.

***Legislative History***

The Senate referred the original version of this bill (File 50) to the Public Health Committee on March 24. On March 31, Public Health reported out this version of the bill, which (1) requires the public health and agriculture and consumer protection commissioners to conduct the study instead of the insurance commissioner; (2) adds a consultative role for the attorney general, managed care ombudsman, and insurance commissioner; (3) requires the study to determine if a limit should be placed on compensation or benefit the prescription drug management plans receive from customers, suppliers, or drug manufacturers; (4) changes the study from an annual requirement to a one-time only review; and (5) requires the report to be issued to the Insurance and Real Estate, Public Health, General Law, and Appropriation committees, instead of just Insurance and Real Estate, by January 1, 2005.

**COMMITTEE ACTION****Insurance and Real Estate Committee**

Joint Favorable Substitute

Yea 17      Nay 0

**Public Health Committee**

Joint Favorable Substitute

Yea 22      Nay 0